



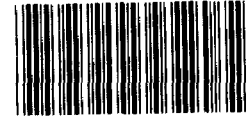
COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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B-162878

JULY 23, 1982

The Honorable Augustus F. Hawkins
Chairman, Committee on House
Administration
House of Representatives



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Dear Mr. Chairman:

Subject: Audit of the House of Representatives Beauty Shop
Revolving Fund for Calendar 1981 (GAO/AFMD-82-82)

As required by the Legislative Branch Appropriation Act, 1970 (83 Stat. 347), and in accordance with the November 25, 1981, request from the Chairman of the Subcommittee on Services, Committee on House Administration, we have examined the balance sheet of the House Beauty Shop Revolving Fund as of December 31, 1981 and 1980, and the related statements of operations and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the House Beauty Shop Revolving Fund as of December 31, 1981 and 1980, and the results of its operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

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As required by the Legislative Branch Appropriation Act, 1970 we are sending copies of this report to the Speaker of the House of Representatives and to the Clerk of the House of Representatives.

Sincerely yours,

Comptroller General
of the United States

Enclosures

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HOUSE BEAUTY SHOP REVOLVING FUNDREPORT ON INTERNAL ACCOUNTING CONTROLSAND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the House Beauty Shop Revolving Fund for the year ended December 31, 1981. Our opinion on them is in our report to the Chairman, Committee on House Administration. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As part of our examination, we made a study and evaluation of the House Beauty Shop's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the House Beauty Shop's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

For the purpose of this report, we have classified, studied, and evaluated the following significant internal accounting controls:

- Receipts
- Disbursements
- Equipment
- Supplies
- Retail Sale Items

The management of the House Beauty Shop is responsible for establishing and maintaining a system of internal accounting control. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not

ENCLOSURE I

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be detected. Also, projection of any evaluation of the system to future periods carries the risk that (1) procedures may become inadequate because of changes in condition or (2) the degree of compliance with the procedure may deteriorate.

The study and evaluation made for the limited purpose described in our second paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the House Beauty Shop taken as a whole. However, our study and evaluation disclosed no material weaknesses.

We reviewed the provisions of applicable laws and regulations to determine the material compliance requirements which may have a financial impact on the House Beauty Shop's financial statements. In our opinion the House Beauty Shop complied with the provisions of applicable laws and regulations that could have materially affected the financial statements.

COMMENTS ON THE OPERATIONS
OF THE
HOUSE BEAUTY SHOP REVOLVING FUND

The House Beauty Shop provides a convenient beauty facility for congresswomen, wives of congressmen, congressional employees, and the general public. During calendar 1981, approximately 23,650 customers had hairdressing, manicuring, or other beauty services performed at the shop.

Since January 3, 1978, employees of the House Beauty Shop have been on the House payroll, and the shop has been under the jurisdiction of the Committee on House Administration, with direct oversight by the Subcommittee on Services (H. Res. 315, 95th Cong.). At December 31, 1981, five beauticians, two manicurists, one supervisor, and the manager were employed full time; five beauticians, and two maids were employed part time. One manicurist was employed intermittently on a contract basis.

The House Beauty Shop had a net loss of \$11,191 for 1981 compared with net income of \$8,345 for 1980. The Legislative Branch Appropriation Act of 1970, requires that after restoring any impairment of capital and providing for replacement of equipment, the income established by our annual audit be transferred to the general fund of the U.S. Treasury. Because of the net loss for 1981, no transfer is required. See note 2 to the financial statements for additional information.

The financial statements do not include the costs of certain benefits and services--such as space, utilities, and ordinary building repairs and maintenance--which are paid from appropriated funds and not charged to the revolving fund.

HOUSE BEAUTY SHOPCOMPARATIVE BALANCE SHEETDECEMBER 31, 1981 AND 1980

	<u>1981</u>	<u>1980</u>
ASSETS		
CURRENT ASSETS:		
Cash in U.S. Treasury	\$15,565	\$47,712
Petty cash and change funds	800	700
Accounts receivable (note 1)	2,036	1,376
Inventory of merchandise and supplies (note 1)	<u>16,640</u>	<u>18,311</u>
Total current assets	<u>35,041</u>	<u>68,099</u>
FIXED ASSETS:		
Equipment (note 1)	18,077	17,931
Less: Accumulated depreciation	<u>11,837</u>	<u>10,976</u>
Total fixed assets	<u>6,240</u>	<u>6,955</u>
TOTAL ASSETS	<u>\$41,281</u>	<u>\$75,054</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 571	\$ 1,217
Salaries, commissions, and benefits payable	3,597	12,375
Employees' accrued leave	<u>10,328</u>	<u>8,876</u>
Total current liabilities	<u>14,496</u>	<u>22,468</u>
EQUITY OF THE HOUSE OF REPRESENTATIVES:		
Balance at beginning of year	52,586	48,448
Less: Amount transferred to U.S. Treasury (note 2)	<u>14,610</u>	<u>4,207</u>
Balance	37,976	44,241
Add: Net income (loss) for the year	<u>(11,191)</u>	<u>8,345</u>
Balance at end of year	<u>26,785</u>	<u>52,586</u>
TOTAL LIABILITIES AND EQUITY	<u>\$41,281</u>	<u>\$75,054</u>

The accompanying notes are an integral part of this statement.

HOUSE BEAUTY SHOP
COMPARATIVE STATEMENT OF OPERATIONS
FOR CALENDAR 1981 AND 1980

	<u>1981</u>	<u>1980</u>
INCOME:		
Beauty services	\$282,607	\$291,518
Retail sales	\$51,386	\$47,078
Less: Cost of retail sales	36,025	15,451
Miscellaneous income	356	612
Total operating income	<u>298,324</u>	<u>307,581</u>
OPERATING EXPENSES: (note 1)		
Salaries:		
Manager	24,229	22,017
Beauticians	118,679	116,330
Manicurists	23,800	21,940
Supervisor and receptionists	20,432	16,856
Maids	15,787	13,974
Electrolysis	-	786
Cosmetologist	-	629
Total salaries	<u>202,927</u>	<u>192,532</u>
Commissions (beauticians and retail sales)	58,295	56,895
Employees' benefits—Government contributions	25,337	26,124
Supplies	20,898	22,449
Office	340	1,152
Laundry	376	366
Depreciation	861	696
Repairs	42	149
Telephone	152	136
Training	25	55
Bad debts (note 1)	252	-
Miscellaneous	10	17
Total operating expenses	<u>309,515</u>	<u>300,571</u>
NET OPERATING INCOME (LOSS)	(11,191)	7,010
GAIN ON DISPOSAL OF EQUIPMENT (note 3)	-	1,335
NET INCOME (LOSS) FOR THE YEAR	<u>\$(11,191)</u>	<u>\$ 8,345</u>

The accompanying notes are an integral part of this statement.

HOUSE BEAUTY SHOPCOMPARATIVE STATEMENT OF CHANGESIN FINANCIAL POSITIONCALENDAR 1981 AND 1980

	<u>1981</u>	<u>1980</u>
FUNDS PROVIDED:		
Sales	\$333,993	\$338,596
Miscellaneous income	356	612
Decrease in working capital	<u>25,086</u>	<u>1,578</u>
Total funds provided	<u>\$359,435</u>	<u>\$340,786</u>
FUNDS APPLIED:		
Operating expenses (excluding depreciation and other items not requiring an outlay of funds)	308,654	300,542
Cost of retail sales	36,025	30,960
Amount transferred to U.S. Treasury	14,610	4,207
Purchase of equipment	<u>146</u>	<u>5,077</u>
Total funds applied	<u>\$359,435</u>	<u>\$340,786</u>

ANALYSIS OF CHANGES IN WORKING CAPITAL

	<u>Increase or (decrease)</u>	
	<u>1981</u>	<u>1980</u>
WORKING CAPITAL CHANGES:		
Cash and deposits in transit	\$(32,047)	\$ 1,195
Accounts receivable	660	965
Inventories	(1,671)	(510)
Salaries, commissions, and benefits payable	8,778	(1,483)
Accounts payable	646	1,569
Employees' accrued leave	<u>(1,452)</u>	<u>(3,314)</u>
NET CHANGE IN WORKING CAPITAL	<u>\$(25,086)</u>	<u>\$ (1,578)</u>

The accompanying notes are an integral part of this statement.

HOUSE BEAUTY SHOPNOTES TO FINANCIAL STATEMENTSCALENDAR 1981 AND 1980

1. Significant Accounting Policies:

- Inventories are stated at cost and are charged to operations using the first-in, first-out method of cost flow.
- Bad debts expense is recognized at the time accounts receivable are deemed uncollectable and written off.
- Equipment is depreciated over a 10-year life using the straight-line method.
- Operating expenses do not include the costs of certain benefits and services--such as space, utilities, and ordinary building repairs and maintenance--that are furnished to the House Beauty Shop without charge.

2. As explained in Enclosure 2, no funds are to be transferred to the U.S. Treasury for 1981.

The amount transferred during 1981 for 1980 was \$14,609.97. Prior years' net income transferred to the U.S. Treasury from the House Beauty Shop Revolving Fund has totaled \$65,326.

3. During 1980 the Beauty Shop purchased new equipment consisting of 18 standard hair dryers, 4 hydraulic chairs, 2 hot stoves, and 1 clothes dryer. At the same time, the shop disposed of used equipment which had a net book value of \$148 (\$7,109 less accumulated depreciation of \$6,961). The shop received a trade-in allowance of \$1,483 on this equipment, resulting in a net gain of \$1,335. During 1981 the Beauty Shop purchased a portable hair dryer for \$146.